TAB

Approved For Release 2002/05/06 : CIA-RDP78-03721A000500040041-6

COST ESTIMATES

1. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost approximately $80,000 per year with an increase of approximately eight man years. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

2. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and Foreign Service systems.

The most recent annual report of the Chairman of the Civil Service Commission presents cost factors indicating that in addition to the 13% of payroll contributed by the employee and the employing Agency the Government would be required to contribute an additional .83% of the annual payroll of covered employees to support the benefits accruing on account of current service.

Similar, although not fully comparable data pertaining to the Foreign Service retirement system, indicates that additional contributions by the Government of 10.69% would be required. Using the difference between these two estimates as reflecting the cost differentials of the differing benefits of the two programs and applying it to the estimated annual payroll of the
25X9 [redacted] Agency employees eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [redacted] 25X9
annually would be required. However, it has not been government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed CIA system.

3. A more realistic estimate can be made of the increased payout in basic annuity benefits under the proposed system over the Civil Service retirement system for the next five fiscal years. The estimate assumes a target rate of 67 retirements per year. Other assumptions, based upon manpower studies and age and grade characteristics of the eligible group, contemplate an average retirement age of 55 years with 25 years of service and an average high-five salary of $11,000 (about the second step of grade GS-13). Basic annuities computed under the new system would be $5,500 as against $4,829 under the civil service system. The difference of $671 applied to the estimated average of 67 retirements per year would result in the following total increased annuity payments for the years shown:

FY Year	Annuitants (Cumulative Totals)	Increased Annuity Payments (Cumulative Totals)
1963 (one-half year)	34	$ 22,814
1964	101	67,771
1965	168	112,728
1966	235	157,685
1967	302	202,642
	TOTAL	$ 563,640

The chain of recruitment, reassignment, and promotion actions created by this annual retirement of officers would result in a considerable saving in salaries. Assuming an average lapse of six months in this process, the saving would approximate $2,300 per retirement and would total approximately $414,000 over a five-year period. This saving would almost offset the estimated increase in annuity payments for the first five years that the new system was in operation.